

WORTH KNOWING ABOUT

Cars without registration tax



The Danish traffic law states that people resident in Denmark may only drive in this country in a car registered in Denmark.

The starting point is also that the owners of cars registered in Denmark must pay registration taxes. Only a few exceptions apply.

One exception applies to employees with company cars who live in Denmark but work abroad for a foreign employer.

Another exception applies to Danish self-employed persons working abroad.

Subject to certain conditions, self-employed persons may drive a car registered in Denmark without paying registration taxes or drive in Denmark in a car registered abroad.

These conditions relate both to the driver of the car and to the extent of the driving in Denmark and abroad, which in this context includes both EU and EEA countries and third countries.

The driver

The driver of the car must have a primary residence in Denmark and use the car for business purposes abroad. The car must either be driven in connection with employment by a foreign company or by a self-employed person carrying out business activities abroad.

Employees in foreign companies

Foreign companies may place a tax-free car at the disposal of employees resident in Denmark.

One condition is that the company's headquarters or permanent place of business is located abroad.

The driver must also actually and genuinely be employed by the foreign employer, although it does not have to be the person's main job.

Self-employed persons

These rules are also applicable to self-employed persons resident in Denmark, provided they must conduct business abroad. This may either be via a place of business abroad or by carrying out assignments and performing services abroad. The rules therefore also apply to for example sales activities abroad.

It should be noted that the rules do not apply to the employees of self-employed persons.

TAX AND VAT
February 2020

”

The driver of the car must have a primary residence in Denmark and use the car for business purposes abroad.

”

This publication has been written in general terms and should be seen as a broad guidance only. The publication does not cover specific situations and you should not act, or refrain from acting, without obtaining professional advice. Please contact BDO to discuss the specific matters. BDO, its partners and employees do not accept or assume any liability for any loss arising from any action taken or not taken in reliance on the information in this publication.

Business driving

Exemption from registration taxes may apply if the extent of business driving abroad exceeds the business and private driving in Denmark. This is assessed on the basis of two criteria: driving days and mileage.

Driving days: If the car is used on 185 days or more in Denmark within a 12-month period, the car is regarded as essentially being permanently used in Denmark. Conversely, if the car is used on less than 185 days in Denmark within a 12-month period, Danish registration taxes are not applicable.

Days of driving in Denmark linked to business driving abroad are not counted as days of driving in Denmark when calculating whether the car meets the criterion of being used on 185 days in Denmark.

Mileage: The total use of the car in Denmark is assessed in relation to the number of kilometres driven for business purposes abroad within a 12-month period. If the “foreign business mileage” during this period is less than the total “domestic mileage”, the car is regarded as essentially being permanently used in Denmark.

Private driving abroad is not included when assessing whether this criterion has been met. Conversely, private and business driving are both included when assessing the mileage in Denmark.

Driving from a primary residence in Denmark to a foreign place of work is regarded as business driving abroad when assessing the mileage.

Danish registration taxes are only payable if the car is regarded as essentially being permanently used in Denmark according to both criteria. If, for example, a car is deemed to have been used on less than 185 days in Denmark, Danish registration taxes are not payable even if its domestic mileage exceeds its foreign business mileage.

Permit

Before a car can be driven in Denmark without payment of registration taxes, you must apply for a permit from the local Danish tax office. We recommend applying for prior approval by the Danish tax authorities, Skattestyrelsen, before any car purchase arrangements are made. For this purpose, use form 21.022 on www.skat.dk under Borger > Motorkøretøjer > Motorblanketter (only available in Danish).

The application requirements include a declaration on the intended use of the car in Denmark and abroad in relation to the driving days and mileage criteria.

The authorities do not require any documentation in the form of mileage records, driving accounts, etc. However, the applicant must be able to document and render probable that the car is covered by the exemption rule.

The permit must be kept in the car while driving in Denmark and shown to the police on request.

Danish or foreign licence plates

Provided the above conditions are met and Skattestyrelsen has issued a permit, a car registered abroad may be driven in Denmark with foreign licence plates and without payment of Danish registration taxes.

Alternatively, the car can be registered tax-free in Denmark with Danish licence plates.

Apart from the licence plates, the difference between Danish and foreign registration is that weight or green owner’s taxes are payable for cars with Danish licence plates.

**DO YOU HAVE ANY
QUESTIONS?
PLEASE CONTACT**



**Jens Christian
Kjærgaard**
Manager, VAT
Tel. +45 26 31 82 38
jck@bdo.dk



Chris Pedersen
Partner, VAT
Tel. +45 41 96 18 89
cpe@bdo.dk

BDO Statsautoriseret revisionsaktieselskab, a Danish limited liability company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms. BDO Denmark employs more than 1,250 people and the worldwide BDO network has more than 90,000 partners and staff in 165 countries.